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FM AMEMBASSY CARACAS  
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RULSDMK/DEPT OF TRANSPORTATION  
RUEABND/DEA HQ WASHINGTON DC  
RUCPDO/DEPT OF COMMERCE  
RUEATRS/DEPT OF TREASURY  
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C O N F I D E N T I A L CARACAS 000279

SIPDIS

HQ SOUTHCOM ALSO FOR POLAD  
TREASURY FOR MMALLOY  
COMMERCE FOR 4431/MAC/WH/JLAO  
SECSTATE PASS AGRICULTURE ELECTRONICALLY

E.O. 12958: DECL: 03/01/2019

TAGS: [ECON](#) [PGOV](#) [PREL](#) [ETRD](#) [EINV](#) [EAGR](#) [VE](#)

SUBJECT: VENEZUELAN GOVERNMENT THREATENS TO "EXPROPRIATE" A  
US MULTINATIONAL'S PLANT

REF: CARACAS 270

Classified By: Economic Counselor Darnall Steuart for reasons 1.4  
(b) and (d).

¶1. (C) On March 4, Chavez directed the Minister to "begin the process of expropriating Cargill." The President of Cargill Venezuela Roberto Moro (protect) told Post this morning that he was on his way to a meeting with the Minister of Agriculture Elias Jaua. Moro reported that he believes thus far, only the rice plant would be affected by Chavez' expropriation threat. There are press reports that the Venezuelan consumer protection agency, INDEPABIS has occupied the Cargill rice plant with the Venezuelan National Guard, but we have been unable to verify this with Cargill. Sources have also told post that Cargill's vegetable oil plants will be inspected today by INDEPABIS. Post is watching the evolving situation closely. (NOTE: Cargill, a US based agribusiness, is one of the largest privately held companies in the world. END NOTE.)

¶2. (C) A source told Post on March 5 that Cargill had met with the Ministry of Agriculture in late February. The Ministry complained that Cargill was producing rice above the government-regulated prices, but agreed not to sanction Cargill if it lowered its prices. For this reason, he added, the expropriation announcement caught Cargill by complete surprise.

¶3. (C) The government is targeting the plant ostensibly because it does not produce rice at the regulated price. The plant is designed to produce only one type of product, parboiled rice. Unlike plain white rice, parboiled rice does not fall under government-established price controls. However, on March 3, the government passed a law mandating that companies produce 80 percent white rice, a requirement that Cargill's plant cannot meet in the short term. In order to start producing white rice, the Cargill plant would have to retool. There is a clause in a decree issued March 3 that says agribusinesses which have historically produced variations on white rice can ask for an exception to the 80 percent rule. The government did not give Cargill a chance to apply for that exception before threatening its expropriation.

¶4. (C) Cargill, like many other rice processors, is unhappy with leading Venezuelan food processor Polar for "stirring the pot." A Cargill rep. told post that his company has gone out of its way to keep the peace with the government. He added that Cargill only has 1.6 percent of the rice market in Venezuela. Many industry insiders believe the true target of the government's actions is Polar (ref A). Polar's owner, the Mendoza family, is in staunch opposition to the government. On March 3 Chavez said "We will expropriate you Mr. Mendoza, I'm warning you."

15. (C) Moro committed to meeting with the Embassy following his March 5th meeting with Minister Jaua, but as government ministers are notorious for keeping companies waiting, he was unable to tell what time the meeting with Jaua would actually take place. In the past, Moro has capably navigated Cargill out of troubled waters with the Venezuelan government. There is still hope that he will be able to do so again and avoid the expropriation of Cargill's rice processing plant.

16. (SBU) Cargill entered the Venezuelan market in 1986. It has approximately 2,000 employees in 22 locations with 13 manufacturing plants involved in the following areas: oilseed processing, grain and oilseed trading, animal feed, salt, wheat/pasta, and financial and risk management. Cargill's Venezuelan branded products include cooking oil, pasta, rice, cookies, fruit juice, pet food, and livestock and poultry feed.

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